

**PRAIRIE ROAD WATER DISTRICT  
Monroe, Louisiana**

**Annual Financial Statements**

**As of and for the Year Ended  
December 31, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

8/6/08

PRAIRIE ROAD WATER DISTRICT  
Monroe, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2007

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*M. Carleen Dumas*

**CERTIFIED PUBLIC ACCOUNTANT**

369 DONALDSON ROAD . CALHOUN, LOUISIANA. TELEPHONE 318/644-5726

**Independent Auditor's Report**

BOARD OF COMMISSIONERS  
PRAIRIE ROAD WATER DISTRICT  
Monroe, Louisiana

I have audited the accompanying financial statements of the business-type activities of Prairie Road Water District, a component unit of the Ouachita Parish Police Jury, as of December 31, 2007, and for the year then ended, which comprise the district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the district's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the business-type activities of Prairie Road Water District, as of December 31, 2007, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF THE SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF COMMISSIONERS  
PRAIRIE ROAD WATER DISTRICT  
Monroe, Louisiana  
Independent Auditor's Report  
December 31, 2007

Management's discussion and analysis on pages 5 through 7, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Prairie Road Water District's basic financial statements. The Schedule of Compensation Paid Commissioners and the Status of Prior Audit Findings listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 5, 2008, on my consideration of Prairie Road Water District's internal control over financial reporting and on my tests of the district's compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

/s Carleen Dumas  
Calhoun, Louisiana  
June 5, 2008

**REQUIRED SUPPLEMENTAL INFORMATION**

PRAIRIE ROAD WATER DISTRICT  
Monroe, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2007

Our discussion and analysis of Prairie Road Water District's (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the District's financial statements that begin on page 9.

**BASIC FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of:

- a. Management's discussion and analysis (MD&A)
- b. Statement of net assets
- c. Statement of revenues, expenses, and changes in net assets
- d. Statement of cash flows
- e. Notes to the financial statements
- f. RSI other than MD&A, if applicable

The Prairie Road Water District is a special-purpose government engaged only in business-type activities.

**Enterprise Fund Financial Statements**

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information in a way that shows the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and the changes in them. Net assets - the difference between assets (what the District owns) and liabilities (what the District owes) is a way to measure the financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating.

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating activities and capital and related financing activities.

PRAIRIE ROAD WATER DISTRICT  
Monroe, Louisiana  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2007

**COMPARATIVE ANALYSIS OF  
FINANCIAL DATA**

The District's total net assets increased by \$65,230 during 2007. Operating revenues increased \$18,946 from prior year amount. Operating expenses increased \$1,842. The following presents an analysis of net assets and changes in net assets of the District's business-type activities:

	<b>BUSINESS-TYPE ACTIVITIES</b>	
	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Current assets	\$130,815	\$123,316
Capital assets	<u>204,816</u>	<u>212,195</u>
Total assets	<u>335,631</u>	<u>335,511</u>
<b>Liabilities</b>		
Current liabilities	51,272	98,532
Long-term liabilities	<u>186,000</u>	<u>211,000</u>
Total liabilities	<u>237,272</u>	<u>309,532</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	(6,184)	(23,805)
Unrestricted	<u>104,543</u>	<u>49,784</u>
Total net assets	<u>98,359</u>	<u>25,979</u>

	<b>BUSINESS-TYPE ACTIVITIES</b>	
	<u>2007</u>	<u>2006</u>
Operating revenues	\$330,365	\$311,919
Operating expenses	253,341	247,968
Non-operating expenses - interest expense	11,794	15,325
Change in net assets	65,230	48,262
Net assets - beginning (restated)	<u>33,129</u>	<u>(22,647)</u>
Net assets - ending	<u>\$98,359</u>	<u>\$25,979</u>

**OVERALL FINANCIAL POSITION**

The District's net increase for the year was \$65,230. Unrestricted net assets ( those assets available to finance the daily operations of the district) were \$104,543 at year end. The amount invested in capital assets, net of related debt was (\$6,184) at year end.

PRAIRIE ROAD WATER DISTRICT  
Monroe, Louisiana  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2007

**CAPITAL ASSETS AND DEBT**

**Capital Assets**

At the end of the year, the District had capital assets (net of accumulated depreciation) totaling \$204,816. Capital assets include the water system, buildings, and vehicles and equipment, costing \$100 or more. During 2007, the District purchased a new truck costing \$17,685 and a new computer monitor that cost \$230. Additional information about the District's capital assets is presented in Note 4 to the financial statements.

**Debt**

At year end the District had \$211,000 in outstanding long-term debt. Interest expense for the year was \$11,794. Additional information about the District's debt is presented in Note 5 to the financial statements.

**ECONOMIC FACTORS**

The effects of the change in management in 2006 were evident in 2007. The District's net assets have increased \$121,006 over the last two years. Management of the district has managed to keep expenses fairly constant from the prior year while increasing revenues by \$18,946. The District anticipates beginning a water system improvement project during 2008. The United States Department of Agriculture has approved funding for the project but the total cost of the project and the amount of the funding has yet to be determined.



## **BASIC FINANCIAL STATEMENTS**

**Statement A****PRAIRIE ROAD WATER DISTRICT**  
Monroe, Louisiana**STATEMENT OF NET ASSETS**  
December 31, 2007**ASSETS****Current assets:**

Cash	\$86,143
Accounts receivable - water sales (net)	36,806
Inventory	7,866
Total current assets	<u>130,815</u>

**Noncurrent assets:**

Property, plant and equipment (net of accumulated depreciation)	<u>204,816</u>
Total assets	<u>335,631</u>

**LIABILITIES****Current liabilities:**

Accounts payable	3,204
Payroll taxes payable	2,719
Sales tax payable	1,158
Accrued interest payable	931
Current portion of long-term debt	25,000
Customer deposits	18,260
Total current liabilities	<u>51,272</u>

**Noncurrent liabilities - long-term debt:**

Revenue bonds payable	116,000
Loans payable	70,000
Total noncurrent liabilities	<u>186,000</u>
Total liabilities	<u>237,272</u>

**NET ASSETS**

Invested in capital assets, net of related debt	(6,184)
Unrestricted	<u>104,543</u>
Total net assets	<u>\$98,359</u>

The accompanying notes are an integral part of this statement.

PRAIRIE ROAD WATER DISTRICT  
Monroe, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
For the Year Ended December 31, 2007

**OPERATING REVENUES**

Water sales	\$309,409
Connection and reconnection fees	9,975
Late charges	4,422
SDWF charges	3,705
Other revenue	2,854
Total operating revenues	<u>330,365</u>

**OPERATING EXPENSES**

Automobile and truck expense	3,003
Bad debt expense	713
Casual labor	456
Chlorine and chemicals	10,912
Commissioners fees	1,937
Depreciation	25,293
Equipment rental	2,152
Gas and oil	401
Insurance	13,669
Licenses and permits	2,195
Repairs	7,062
Office supplies and expense	7,312
Payroll taxes	7,712
Postage	4,177
Professional fees	22,176
Salaries and wages	93,523
Supplies and parts	14,569
Utilities and telephone	31,792
Other operating expenses	4,287
Total operating expenses	<u>253,341</u>

**OPERATING INCOME** 77,024

**NON-OPERATING EXPENSES - interest expense** (11,794)

**CHANGE IN NET ASSETS** 65,230

**NET ASSETS - BEGINNING (Restated)** 33,129

**NET ASSETS - ENDING** \$98,359

The accompanying notes are an integral part of this statement.

**PRAIRIE ROAD WATER DISTRICT**  
Monroe, Louisiana

**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2007

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$325,736
Customer deposit receipts, net	3,060
Payments to suppliers	(156,259)
Payments to employees and commissioners	(95,451)
Net cash provided by operating activities	<u>77,086</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Interest paid on capital debt	(16,856)
Principal paid on capital debt	(37,000)
Purchase of truck and equipment	(17,915)
Net cash provided used by capital and related financing activities	<u>(71,771)</u>

**NET INCREASE IN CASH** 5,315

**CASH AT BEGINNING OF YEAR** 80,828

**CASH AT END OF YEAR** \$86,143

**Reconciliation of Operating Income to Net Cash****Provided by Operating Activities**

Operating Income	<u>\$77,024</u>
Adjustments:	
Depreciation	25,293
Bad debt expense	713
Increase in accounts receivable	(2,908)
Decrease in inventory	11
Decrease in accounts payable	(27,077)
Increase in taxes payable	970
Increase in customer deposits	3,060
Total adjustments	<u>62</u>
Net cash provided by operating activities	<u><u>\$77,086</u></u>

The accompanying notes are an integral part of this statement.

**PRAIRIE ROAD WATER DISTRICT**  
Monroe, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended December 31, 2007

**INTRODUCTION**

Prairie Road Water District was created by the Ouachita Parish Police Jury on May 8, 1972, as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a five member board appointed by the police jury to serve indefinite terms of office. Prairie Road Water District commissioners are entitled to \$50 for each meeting if they meet every other month, \$25 for each regular monthly meeting and \$25 for each special board meeting they attend. The district has four full-time employees. The district serves approximately 816 customers.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Prairie Road Water District is considered a component unit of the Ouachita Parish Police Jury. As a component unit, the accompanying financial statements maybe included within the reporting of the primary government, either blended into those financial statements or separately reported as a discrete component unit.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Statements**

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of :

1. Management's discussion and analysis (MD&A)
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6. RSI other than MD&A, if applicable

The Prairie Road Water District is a special-purpose government engaged only in business-type activities.

PRAIRIE ROAD WATER DISTRICT  
Notes to the Financial Statements

**B. Measurement Focus, Basis of Accounting, and  
Financial Statement Presentation**

Enterprise fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Prairie Road Water District has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the Prairie Road Water District are water sales, connection and reconnection fees, late charges, and other miscellaneous operating revenues. Operating expenses for enterprise funds include the costs of the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Deposits**

Cash includes petty cash and amounts in non-interest-bearing demand deposits. State law and the district's investment policy allows the district to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

**D. Receivables**

Receivables for water sales are shown net of an allowance for uncollectible amounts. The allowance is based on past due accounts at December 31, 2007. Customer accounts are considered past due when they are two months in arrears.

**E. Inventory**

Inventories consist of parts and supplies, valued at cost, using the first-in, first-out method. Inventories are recorded using the "purchase method" whereby supplies are charged as expenses when acquired. Inventory on hand at the end of the year is reported as an asset.

PRAIRIE ROAD WATER DISTRICT  
Notes to the Financial Statements

**F. Capital Assets**

Capital assets, which include the water system, buildings, and vehicles and equipment are reported in the enterprise fund financial statements. All of the district's capital assets are capitalized at historical cost. The Prairie Road Water District maintains a threshold level of \$100 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

All capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Infrastructure - Water system	25 years
Buildings	25 years
Vehicles and equipment	5 years

**G. Compensated Absences**

The district's full-time employees earn from 5 to 15 days of vacation leave per year depending upon length of service. Vacation must be taken in the calendar year earned. Full-time employees earn 4 days of sick leave per year after 90 days continuous employment. Sick leave may not be accumulated. In addition, full-time employees earn 1 paid birthday per calendar year, after 90 days continuous employment.

**H. Long-term Obligations**

Long-term debt such as revenue bonds payable and loans payable are reported as liabilities on the statement of net assets.

**I. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**J. Interest Costs**

The following provides disclosure on interest costs for the year ended December 31, 2007:

PRAIRIE ROAD WATER DISTRICT  
Notes to the Financial Statements

Total interest cost expensed	\$11,794
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u><u>\$11,794</u></u>

**2. DEPOSITS IN FINANCIAL INSTITUTIONS**

At December 31, 2007, the district has cash (book balances) as follows:

Petty cash	\$200
Non-interest bearing checking account	<u>85,943</u>
Total	<u><u>\$86,143</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At December 31, 2007, the Prairie Road Water District has \$86,641 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance.

**3. ACCOUNTS RECEIVABLE**

At December 31, 2007, the district has net receivables of \$36,806 as follows:

Billed water sales	\$28,778
Unbilled water sales	10,573
Allowance for uncollectible accounts	<u>(2,545)</u>
Net receivables	<u><u>\$36,806</u></u>

**4. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended December 31, 2007, is as follows:

	Balance at January 1, 2007	Increases	Decreases	Balance at December 31, 2007
Capital assets being depreciated:				
Water system	\$813,268			\$813,268
Buildings	172,753			172,753
Vehicles and equipment	30,694	\$17,912		48,606
Total capital assets being depreciated	<u>1,016,715</u>	<u>17,912</u>	<u>NONE</u>	<u>1,034,627</u>



PRAIRIE ROAD WATER DISTRICT  
Notes to the Financial Statements

	Balance at January 1, 2007	Increases	Decreases	Balance at December 31, 2007
Less accumulated depreciation for:				
Water system	738,714	19,314		758,028
Buildings	37,590	4,215		41,805
Vehicles and equipment	28,214	1,764		29,978
Total accumulated depreciation	804,518	25,293	NONE	829,811
Total assets being depreciated, net	<u>\$212,197</u>	<u>(\$7,381)</u>	<u>NONE</u>	<u>\$204,816</u>

Depreciation expense of \$25,293 for the year ended December 31, 2007 was reported on the statement of revenues, expenses, and changes in net assets.

## 5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions for the year ended December 31, 2007:

	Revenue Bonds	Certificate of Indebtedness	Total
Revenue bonds payable at January 1, 2007	\$158,000	\$90,000	\$248,000
Additions	NONE	NONE	NONE
Reductions	(27,000)	(10,000)	(37,000)
Revenue bonds payable at December 31, 2007	<u>\$131,000</u>	<u>\$80,000</u>	<u>\$211,000</u>

The following is a summary of the current (due in one year or less) and long-term (due in more than one year) portions of long-term obligations as of December 31, 2007:

Current portion	\$25,000
Long-term portion	<u>186,000</u>
Total	<u>\$211,000</u>

All outstanding debt at December 31, 2007, in the amount of \$211,000 is revenue bonds payable and certificates of indebtedness with maturities from 2008 until 2013 and an interest rates from 3% to 5.625%. Loan principal and interest payable in the next fiscal year are \$25,000 and \$11,169 respectively. The individual debt is as follows:

PRAIRIE ROAD WATER DISTRICT  
Notes to the Financial Statements

	<u>\$325,000 Bonds</u>	<u>\$120,000 Certificates of Indebtedness</u>
Original issue date	12/01/72	02/25/04
Interest rate	5.625%	3% to 5%
Final payment due	12/1/12	12/1/013
Interest to maturity	\$25,594	\$14,700
Principal outstanding	\$131,000	\$80,000
Funding source	Water revenue	Water revenue

All outstanding debt is due as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2008	\$25,000	\$11,169	\$36,169
2009	30,000	9,925	39,925
2010	40,000	8,400	48,400
2011	45,000	6,244	51,244
2012	56,000	3,806	59,806
2013	15,000	750	15,750
Total	<u>\$211,000</u>	<u>\$40,294</u>	<u>\$251,294</u>

**6. RESTATEMENT OF NET ASSETS**

Net assets, December 31, 2006, as previously reported	\$25,979
Sales tax payable overstated	<u>7,150</u>
Net assets, December 31, 2006, restated	<u>\$33,129</u>

**7. RISK MANAGEMENT**

The district purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

PRAIRIE ROAD WATER DISTRICT  
Notes to the Financial Statements

**8. CONTINGENCIES**

During 2006, the former office manager and former board president were convicted of filing false public records. In December 2006, the District's audited 2005 financial statements were released which included similar findings. The amount of restitution, if any, that may be paid to the District as a result of these convictions can not be determined at this time.

In June 2006, the District received an order from the State of Louisiana, Department of Health and Hospitals to correct a condition in which the levels of a particular contaminant exceeded the maximum allowed. The correction will require updates to the water system. The District has engaged an engineer who has prepared plans for the improvements and assisted the District in applying for funding. In November 2007, the United States Department of Agriculture determined that the project was eligible for funding and anticipated that the funding would occur in 2008.

**SUPPLEMENTAL INFORMATION SCHEDULES**

**PRAIRIE ROAD WATER DISTRICT**  
Monroe, Louisiana

**SUPPLEMENTAL INFORMATION SCHEDULES**  
As of and For the Year Ended December 31, 2007

**COMPENSATION PAID COMMISSIONERS**

The schedule of compensation paid to commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:3819, the commissioners receive \$25 for each regular board meeting they attend if the board meets monthly. If the board meets every other month, the commissioners are paid \$50 for each meeting they attend. If a special meeting is called the commissioners are paid \$25 for each special board meeting they attend. In addition, the Board President and Secretary are paid approximately \$25 per month for performing their duties as officers.

**PRIOR AUDIT FINDINGS**

The follow-up and corrective action taken on all prior audit findings is presented in Schedule 2.

**Schedule 1**

**PRAIRIE ROAD WATER DISTRICT  
Monroe, Louisiana**

**SCHEDULE OF COMPENSATION PAID COMMISSIONERS  
For the Year Ended December 31, 2007**

Dorth Blade, President	\$500
Bruce Bryan	300
James Johnson	275
Herbert Munholland	300
William Whitfield, Secretary	<u>563</u>
Total	<u>\$1,938</u>

PRAIRIE ROAD WATER DISTRICT  
Monroe, Louisiana

STATUS OF PRIOR AUDIT FINDINGS  
For the Year Ended December 31, 2007

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action
2006-1	2005	Lack of Segregation of Duties	No	See current year finding 2007-1.
2006-2	2005	Minutes of Meetings	Partial	See current year finding 2007-9.
2006-3	2005	Depositing Funds Timely and In Tact	Yes	N/A
2006-4	2005	Billing Errors	Yes	N/A
2006-5	2005	Failure to Properly Collect and Remit Sales Tax	No	See current year finding 2007-7.
2006-6	2005	Meter Deposit Errors	Yes	N/A
2006-7	2005	Computer Equipment Missing	Partial	See current year finding 2007-5.
2006-8	2004	Unsupported and Unnecessary Expenses	Partial	See current year finding 2007-8.
2006-9	2004	Controls Over Payroll Expenses	No	See current year finding 2007-3.
2006-10	2004	Nepotism	Yes	N/A
2006-11	2005	Legal Expenses Paid For Former Employees Convicted of Theft and Filing False Records	Yes	N/A
ML 2006-1	2005	Budget	Yes	N/A

**Independent Auditor's Report**  
**Required by *Government Auditing Standards***

The following independent auditor's report on internal control over financial reporting and on compliance and other matters is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.



*M. Carleen Damas*

**CERTIFIED PUBLIC ACCOUNTANT**

369 DONALDSON ROAD . CALHOUN, LOUISIANA. TELEPHONE 318/644-5726

**Independent Auditor's Report on  
Internal Control Over Financial Reporting and on  
Compliance and Other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

BOARD OF COMMISSIONERS  
PRAIRIE ROAD WATER DISTRICT  
Monroe, Louisiana

I have audited the financial statements of the business-type activities of Prairie Road Water District, a component unit of the Ouachita Parish Police Jury, as of December 31, 2007, and for the year then ended, which comprise the Prairie Road Water District's basic financial statements and have issued my report thereon dated June 5, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Prairie Road Water District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prairie Road Water District's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the district's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be a significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process, or report financial data reliably

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on Compliance and on  
Internal Control, etc.,  
December 31, 2007

in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the district's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control. I consider the deficiencies described in the accompanying schedule of current year findings as 2007-1 through 2007-6 to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the district's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider all to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Prairie Road Water District's financial statements are free of material misstatement, I performed tests of the district's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-7 and 2007-9.

Prairie Road Water District's responses to the findings identified in my audit are described in the accompanying schedule of current year findings. I did not audit the district's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information of the management and board of commissioners of Prairie Road Water District and is not intended to be and should not be used by anyone other than these specified parties.

/s Carleen Dumas  
Calhoun, Louisiana  
June 5, 2008

PRAIRIE ROAD WATER DISTRICT  
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Schedule of Current Year Findings  
For the Year Ended December 31, 2007

I have audited the financial statements of the business-type activities of Prairie Road Water District, a component unit of the Ouachita Parish Police Jury, as of December 31, 2007, and for the year then ended, which comprise the Prairie Road Water District's basic financial statements and have issued my report thereon dated June 5, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. My audit of the financial statements as of December 31, 2007 resulted in an unqualified opinion.

**Section I - Summary of Auditor's Reports**

**A. Report on Internal Control and Compliance Material to the Financial Statements**

**Internal Control**

Significant Deficiency ☒ Yes ☐ No

Material Weakness ☒ Yes ☐ No

**Compliance**

Compliance Material to Financial Statement ☒ Yes ☐ No

**Section II - Financial Statement Findings**

**2007-1. Inadequate Segregation of Accounting Duties**

**Criteria:** Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

**Condition:** The accounting duties of billing, collecting, depositing and posting customer payments to customers accounts may be performed by either one of the two office employees of the district. Although it was noted that both employees balance the cash receipts at the end of each day, all other duties may be performed by either employee creating a situation whereby the duties are not adequately segregated.

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**Effect:** Errors or irregularities may not be detected within a timely period.

**Recommendation:** In order to strengthen controls over the maintenance of customer accounts, I recommend that the Board of Commissioners review and approve all adjustments to customer accounts on a monthly basis.

**Board's Response:** Effective July 1, 2008, the Board of Commissioners will begin reviewing and approving adjustments to customer accounts on a monthly basis.

**2007-2. Need to Improve Controls Over Cash Disbursements**

**Criteria:** Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorizations.

**Condition:** The following deficiencies in internal controls over cash disbursements were noted for the year ended December 31, 2007:

1. I examined support for 60 checks that were written during the year. 6 of the 60 checks (10%) were not initialed as evidence of review by the check signer as required by the district's internal control policies.
2. Insurance premiums for employees health insurance were overpaid by \$425. The reimbursements from the employee for her portion of the premiums were not received by the district in a timely manner.

**Effect:** The failure to establish and adhere to internal controls over cash disbursements could result in a loss of assets from unauthorized use or disposition or from transactions that are not in accordance with management's authorizations.

**Recommendation:** I recommend that all invoices be initialed by the check signer as evidence of review. I recommend that the district request the Ouachita Parish Police Jury send a monthly billing statement for employee health insurance premiums and that the employee's portion of the premiums be deducted from the employee's salary in advance of the district paying the premium.

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**Board's Response:** All invoices will be initialed by the check signer as evidence of review. Beginning in January 2008, the employee's portion of health insurance premiums is being deducted from the employee's salary.

**2007-3.      Need to Improve Controls Over Payroll Expenses**

**Criteria:** Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that payroll expenses are properly authorized and approved and that all payroll computations are accurate and recorded properly in the accounting records.

**Condition:** The following deficiencies in internal controls over payroll expenses were noted for the year ended December 31, 2007:

1. I examined timecards for 25 payroll checks that were written during the year. For 1 of the 25 payroll checks examined (4%), the hours paid to the employee were more than the hours recorded on the timecards.
2. For 1 of the 25 payroll checks examined (4%), the gross salary was incorrectly calculated resulting in a \$98 overpayment.
3. For 10 of the 25 payroll checks examined (40%), the amount of the social security and medicare taxes withheld from the employee's salary was incorrectly calculated.
4. 2 of the 50 timecards examined (4%), were not signed by the employee.
5. An increase in an employee's hourly rate was not recorded in the minutes as being approved by the board of commissioners.
6. It was noted on the timecards examined, that office employees did not clock out for lunch. The district's Company Policy and Employee Manual states that employees must clock in and out for lunch. The estimated annual amount paid to these employees for a 30-minute lunch break each day would be approximately \$4,300.
7. Amounts reported on Form 941 for social security and medicare withholdings and federal income tax withholdings did not agree to payroll records.

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**Effect:** The failure to establish and adhere to internal controls over payroll expenses could result in a loss of assets from unauthorized amounts or overpayments resulting from errors in calculating payroll expenses.

**Recommendation:** I recommend that all payroll checks be supported by timecards that are signed by the employee. Before payroll checks are issued, all payroll calculations should be checked by someone other than the preparer to determine that gross salaries and payroll deductions were properly computed. All changes in an employee's rate of pay should be approved by the board of commissioners and such approval should be recorded in the minutes of the board meeting. The board of commissioners should enforce the policies in the Company Policy and Employee Manual or revise the policies to accurately reflect the board's intentions. Payroll tax reports should agree to the underlying payroll records.

**Board's Response:** The Board of Commissioners will implement the above recommendations effective July 1, 2008.

**2007-4. Need to Improve Controls Over Maintenance  
of Accounting Records**

**Criteria:** The Board of Commissioners rely on monthly financial statements to monitor the operations of the district. Established internal control procedures should provide reasonable assurance that the accounting records are maintained in a manner that will allow for the timely preparation of accurate financial statements. These procedures should include steps to ensure that errors in financial information are detected and corrected in a timely manner.

**Condition:** The following deficiencies in internal controls over maintaining accurate accounting records were noted:

1. Accounts Receivable from Customers as reported in the monthly financial statements was not reconciled to the amount due from customers recorded in the underlying customer account records on a monthly basis.
2. Monthly bank reconciliations were not properly prepared.

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3. 3 out of 60 (5%) bank deposits examined were not posted to the proper general ledger account.
4. 12 out of 60 (20%) disbursements examined were not posted to the proper general ledger account.
5. Loan payments were not properly posted to general ledger accounts resulting in loan balances and interest expense not being accurately reported in the monthly financial statements.
6. The liability for Customer Meter Deposits as reported in the monthly financial statements was not reconciled to the listing of customer meter deposits on a monthly basis.
7. Purchases of office supplies were improperly posted to Equipment in the general ledger resulting in equipment balances and expenses not being accurately reported in the monthly financial statements.

**Effect:** The failure to establish and adhere to internal controls over accounting records could result in the Board of Commissioners using inaccurate financial information to monitor the district's operations.

**Recommendation:** I recommend that the General Manager code all receipts and disbursements with the proper general ledger account code before the outside accountant receives the records. I recommend that the bank accounts be properly reconciled on a monthly basis. I recommend that an Accounts Receivable Trial Balance be printed at the end of each month and that the amount due on the report be reconciled to the Accounts Receivable recorded in the general ledger on a monthly basis. I recommend that a listing of customer meter deposits be printed at the end of each month and reconciled to the Customer Meter Deposit liability account in the general ledger on a monthly basis.

**Board's Response:** The General Manager will code all receipts and disbursements with the proper general ledger account code and will provide the outside accountant with a Accounts Receivable Trial Balance and Customer Meter Deposit listing on a monthly basis.

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**2007-5.        Need to Improve Controls Over Capital Assets**

**Criteria:**        Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.

**Condition:**        The following deficiencies in internal controls over capital assets were noted:

1.        The Board of Commissioners has not formerly established a capitalization policy for purchases of equipment which specifies which items are to be included on capital asset lists.
2.        The district has not tagged its fixed assets with the District's name and an identifying number as was recommended in the prior year audit.

**Effect:**        The failure to establish and adhere to internal controls relating to the safeguarding of assets could result in the loss of capital assets.

**Recommendation:**    I recommend that the Board of Commissioners formerly establish a dollar threshold amount for including items on a capital asset list. All capital assets should be tagged with the district's name and an identifying number. The capital asset list should include a description of the item, the item number, the cost of the item, the date purchased, and the manner of disposition for any item disposed of.

**Board's Response:**    The Board of Commissioners will formerly adopt a dollar threshold amount for capital assets at its June 2008 board meeting. All capital assets of the district will be tagged with the district's name and identifying number.

**2007-6.        Inadequate Controls Over Preparation of Annual Financial Statements**

**Criteria:**        The district is required to prepare annual financial statements in accordance with generally accepted accounting principles and should have internal controls in place to prevent, detect or correct a misstatement of those financial statements.



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**Condition:** Due to its small size, the district does not have an individual with the expertise to perform these internal control functions effectively.

**Effect:** Misstatements in the financial statements may not be detected within a timely period.

**Recommendation:** None

**Board's Response:** It is not economically feasible to correct this deficiency based on the size of the district and its limited revenues.

**2007-7. Failure to Properly Remit Sales Tax Collected on Water Sales**

**Criteria:** Article VII, Section 2.2 of the Louisiana Constitution requires the District to collect sales tax on water sales to commercial customers. The Louisiana Department of Revenue requires that the tax be remitted to the their office with a quarterly sales tax return by the 20<sup>th</sup> of the month following each calendar quarter.

**Condition:** The district did not prepare the quarterly sales tax returns and remit the sales tax collected to the Louisiana Department of Revenue on a timely basis.

**Effect:** The failure to prepare the quarterly sales tax returns and remit the sales tax collected in a timely manner resulted in an overpayment of tax of \$114 and the payment of penalties and interest of \$569 for the year ended December 31, 2007.

**Recommendation:** I recommend that the district prepare quarterly sales tax returns and remit the sales tax collected in a timely manner.

**Board's Response:** The district has requested its outside accountant to prepare sales tax returns on a quarterly basis.

**2007-8. Loan or Donation of Public Funds**

**Criteria:** Article VII, Section 14 of the Louisiana Constitution prohibits the loan or donation of public funds.

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**Condition:** The following appear to be loans or donations of public funds:

1. Salaries totaling \$3,334 were paid two weeks in advance in December 2007. Payment of compensation in advance has been ruled by the Attorney General to constitute a prohibited donation of public funds.
2. An employee was paid \$180 for unused vacation time. The Attorney General has ruled that a public employer may only compensate an employee for unused vacation time, if the employee was unable to take the vacation due to the demands of their employment.
3. The district purchased flowers for funerals totaling \$137. The Attorney General has ruled that public funds cannot be utilized to purchase flowers.

**Effect:** Violation of state law.

**Recommendation:** I recommend that salaries not be paid in advance in the future and that employees not be paid for unused vacation time. I also recommend that the district's funds not be used to purchase flowers.

**Board's Response:** In the future, no salaries will be paid in advance, employees will not be paid for unused vacation time and flowers will not be purchased with public funds.

**2007-9. Compensation of Board Members**

**Criteria:** Louisiana Revised Statutes 33:3819 (A) provides that members of the board of commissioners of waterworks districts may be paid a per diem for each meeting they attend. This section also provides that elected officials serving on the board of commissioners may not receive per diem for attending meetings.

**Condition:** During 2007, board members were paid for an October meeting but no meeting was held in October 2007. The total amount paid was \$125. In addition, one of the commissioners is also an elected official and was paid \$275 for attending board meetings during 2007.

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**Effect:** Violation of state law.

**Recommendation:** I recommend that board members be paid only for meetings that they attend. The minutes of the board meetings should include the names of the members who were present and those who were absent. Additionally, I recommend that the board consult their legal counsel on the compensation of the board member who is also an elected official.

**Board's Response:** In the future, board members will only be paid for meetings that they attend. The Board of Commissioners will consult legal counsel on the compensation of the board member who is also an elected official.